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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



MICHAEL P. FLANAGAN  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

March 27, 2006

**MEMORANDUM**

**TO:** State Board of Education 

**FROM:** Mike Flanagan

**SUBJECT:** Public School Year-end Deficits - Annual Report to the Legislature

The Department of Education is required by Section 102 of the State School Aid Act to annually report to the Legislature the school districts incurring year-end deficits and the progress made in reducing those deficits. Accordingly, school district cost reports of revenues and expenditures for the fiscal year ending June 30, 2005, have been analyzed.

Section 102(2) of the State School Aid Act (Public Act No. 94 of 1979, as amended) states:

*"(2) Not later than March 1 of each year, the department shall prepare a report of deficits incurred by districts and intermediate districts in the immediately preceding fiscal year and the progress made in reducing those deficits and submit the report to the standing committees of the legislature responsible for K-12 education legislation, the appropriations subcommittees of the legislature responsible for K-12 education appropriations, the house and senate fiscal agencies, the state treasurer, and the state budget director. The department shall also submit interim reports concerning district and intermediate district deficits as necessary."*

As indicated in the attached information, 20 Michigan public school districts and public school academies ended fiscal year 2004-2005 in a deficit position. There were 19 such districts in June 2004, six of which eliminated their deficits during the year ending June 30, 2005.

The Department of Education has in place a formal procedure to require school districts to develop plans to eliminate their general fund deficits. This procedure may include meeting with district administrators to evaluate and possibly recommend modifications to their plan.

Questions about this report should be directed to Glenda Rader, Office of State Aid and School Finance, at (517) 373-3350.

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## **FINANCIAL STATUS OF MICHIGAN DEFICIT SCHOOL DISTRICTS 2004 – 2005**

An analysis of the 2004 – 2005 (fiscal year 2005) financial data has been completed, identifying school districts that ended the year with a deficit. The analysis is conducted using data collected on the annual comprehensive financial report, FID, which is filed by the districts and from financial audit reports prepared by Certified Public Accountants. Both reports are due to the Department in November following the end of the fiscal year and analysis of the data is usually completed by early February. The superintendents of those districts determined to be in a deficit situation are contacted and meetings between Department staff and school administrators and/or local school board members are arranged, when necessary, to review their deficit elimination plans in detail.

For the school fiscal year that ended June 30, 2005, there were 20 districts, 15 traditional school districts and five (5) public school academies, with operating deficits compared to a total of 19 as of June 30, 2004.

Of the 19 districts that ended FY2004 in deficit, six (6) successfully eliminated the deficit by the end of FY2005. These districts are identified on Attachment B. The remaining 13 districts plus an additional seven (7) districts comprise the 20 districts that ended fiscal year 2005 in deficit. Attachment A lists the 20 districts and the basic financial details of their fiscal situation and indicates their general status with regard to changes in their financial situation between June 30, 2004 and June 30, 2005.

In summary:

No districts that began and ended FY2005 in deficit were successful in reducing the deficit to the level indicated in their plan (Category A on Attachment A)

Two districts that began and ended FY2005 in deficit reduced the deficit, but not to the extent contained in their plan (Category B)

- Eleven districts began FY2005 in deficit and ended the year with a greater deficit (Category C)

Seven districts began FY2005 with a positive fund balance, but incurred a deficit during the year (Category D)

In addition, two district ended FY05 with a positive fund balance, however, they are anticipating a deficit at FY06 year end (identified as "NA" in the Category column).

**Michigan Public Schools with Deficits  
For Fiscal Year Ending June 30, 2005  
and Projections for Fiscal Year 2006**

ISD/School Name	Category	General Fund Revenues	Deficit 06/30/05	% Deficit is of Revenues	Projected GF Revenues 2006	Projected Surplus/Deficit 2006	% Fund Balance is of Revenues
<u>Alpena-Montmorency-Alcona</u> Bingham Arts Academy	D	\$561,029	-\$428,589	-76.39%	\$1,766,802	-\$111,702	-6.32%
<u>Cheb-Otsego-Presque Isle</u> Vanderbilt Area Schools	D	\$1,981,409	-\$51,957	-2.62%	\$2,009,650	-\$33,959	-1.69%
<u>Genesee</u> Beecher Community School		<b>\$21,861,800</b>	<b>\$1,980,702</b>	<b>-9.06%</b>	<b>\$22,611,459</b>	<b>\$1,954,652</b>	<b>-8.64%</b>
<u>Gogebic-Ontonagon</u> Bessemer Area School District	B	\$4,129,148	\$134,466	-3.26%	\$0	-\$191,550	NA
Ironwood Area Schools	C	\$9,101,407	\$382,736	-4.21%	\$9,278,586	-\$288,891	-3.11%
Ewen-Trout Creek Consolidated School District	C	\$3,047,121	\$308,754	10.13%	\$3,197,257	-\$298,658	-9.34%
White Pine Public Schools	C	\$850,856	\$435,711	51.21%	\$428,600	-\$341,886	-79.77%
<u>Hillsdale</u> Hillsdale Community Schools	B	\$14,236,979	-\$52,078	-0.37%	\$15,128,502	\$9,036	0.06%
<u>Copper Country</u> Hancock Public Schools	D	\$7,486,989	-\$74,552	-1.00%	\$7,447,537	\$20,199	0.27%
Dollar Bay-Tamarack City Area Sch.	C	\$2,097,847	\$209,128	-9.97%	\$2,270,447	-\$145,900	-6.43%
<u>Macomb</u> Clintondale Community Schools	NA	\$31,851,906	\$428,999	1.36%	\$29,725,215	-\$1,540,793	-5.18%
New Haven Community Schools	D	\$9,503,321	-\$144,961	1.53%	\$11,122,035	\$270,254	2.43%
<u>Oakland</u> Madison Public Schools		\$16,804,157	\$2,730,652	-16.25%	\$15,838,590	-\$2,397,133	15.13%
Academy Of Waterford		\$1,550,587	-\$954,686	-61.57%	\$0	\$0	NA
<u>C.O.O.R.</u> Houghton Lake Community Schools	NA	\$17,001,139	\$457,547	2.69%	\$16,374,790	-\$192,642	1.18%
<u>Wayne</u> Detroit City School District	C	\$1,426,983,721	\$46,791,278*	N/A	\$1,439,965,693	\$24,064,393	1.67%
Redford Union	C	\$36,745,504	-\$2,461,973	-6.70%	\$35,737,505	-\$3,729,733	10.44%
Ecorse Public School District	C	\$11,706,568	-\$333,444	-2.85%	\$12,801,546	\$179,149	1.40%
Southgate Community Schools	D	\$40,553,798	-\$339,989	-0.84%	\$43,064,400	\$10,011	0.02%
Detroit Community High School	D	\$3,887,719	-\$891,377	-22.93%	\$15,205,093	\$1,181,125	7.77%
Detroit Academy of Arts and Science	C	\$17,517,638	-\$806,449	-4.60%	\$18,933,026	\$550	0.00%
Allen Academy	D	\$5,153,149	-\$1,757,183	-34.10%	\$0	\$0	NA

0	A	Districts that both began and ended the year in deficit but were successful in reducing the deficit in compliance with their approved plan.
2	B	Districts that both began and ended the year in deficit and were successful in reducing the deficit, but not to the extent contained in their approved plan.
11	C	Districts that began the year in deficit and ended with a greater deficit.
7	D	Districts that began the year with a positive fund balance but ended the year in deficit.
2	NA	Ended FY05 with a positive balance, but anticipating a deficit at FY06 year end.

After \$200 million long term loan.

**Michigan Public Schools  
with Deficits at June 30, 2004  
and Positive Fund Balances at June 30, 2005**

**Attachment B**

<u>School District/Academy</u>	<u>Fund Balance as of 6/30/2004</u>	<u>Fund Balance as of 6/30/2005</u>
Grattan Public School Academy	-\$1,188,643.00	\$8,525.00
Arts Academy in the Woods	-\$1,914,391.00	\$86,584.00
Casa Richard Academy	-\$1,114,320.00	\$103,802.00
YMCA Service Learning Academy	-\$256,262.00	\$540,930.00
Blanche Kelso Bruce Academy	-\$191,615.00	\$279,215.00
Three Oaks Public School Academy	-\$114,800	\$69,891